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LISA D. NORDSTROM  
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March 13, 2015

**VIA HAND DELIVERY**

Jean D. Jewell, Secretary  
Idaho Public Utilities Commission  
472 West Washington Street  
Boise, Idaho 83702

Re: Case No. IPC-E-15-06  
2014 Demand-Side Management Expenses – Idaho Power Company's  
Application and Testimony

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

Also enclosed for filing are nine (9) copies of the testimony of Darlene Nemnich. One copy of Ms. Nemnich's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Ms. Nemnich's testimony is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN/kkt  
Enclosures

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF IDAHO POWER COMPANY FOR A	)	CASE NO. IPC-E-15-06
DETERMINATION OF 2014 DEMAND-	)	
SIDE MANAGEMENT ("DSM") EXPENSES	)	APPLICATION
AS PRUDENTLY INCURRED.	)	
	)	

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In accordance with RP 052 and RP 201, *et seq.*, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits its *Demand-Side Management 2014 Annual Report* ("DSM 2014 Annual Report") and makes application to the Idaho Public Utilities Commission ("Commission") for an order designating Idaho Power's expenditures of \$25,554,688 in Idaho Energy Efficiency Rider ("Rider") funds and \$7,940,697 of demand response ("DR") program incentives included in the 2015 Power Cost Adjustment ("PCA"), for a total of \$33,495,385, as prudently incurred demand-side management expenses.

In support of this Application, Idaho Power represents as follows:

## **I. THE DSM 2014 ANNUAL REPORT**

1. The Commission has “consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the State of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. To further the Commission’s objective, Idaho Power implements and manages a wide range of opportunities for its customers to participate in DSM activities, to be informed about energy use, and to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and information to help them manage their energy use and to achieve prudent cost-effective DSM resources to meet the Company’s electrical system’s energy and demand needs.

2. In support of this Application requesting the Commission deem the Company’s total 2014 DSM expenses as prudently incurred, Idaho Power presents its DSM 2014 Annual Report as Attachment 1 to this Application.

3. The DSM 2014 Annual Report is submitted pursuant to the DSM reporting obligation set forth in Order No. 29419 and in accordance with agreed-upon guidelines set forth in the Memorandum of Understanding for Prudency Determination of DSM Expenditures (“DSM MOU”) submitted as part of the stipulation approved by Order No. 31039. Idaho Power used previous DSM annual report formats as a guide for its DSM 2014 Annual Report. Two Supplements accompany the DSM 2014 Annual Report: *Supplement 1: Cost-Effectiveness* (“Supplement 1”) and *Supplement 2: Evaluation* (“Supplement 2”).

4. As in previous years, the DSM 2014 Annual Report contains a table of contents, introduction, cost-effectiveness, and evaluation sections. It also includes a section describing each program or initiative in detail, as well as a section describing other programs and activities that are not tied to direct energy savings. The DSM 2014 Annual Report uses the benefit/cost methodologies used in previous DSM annual reports, including the total resource cost ("TRC") test perspective, the utility cost ("UC") test perspective, the participant cost test ("PCT") perspective, and the ratepayer impact measure ("RIM") perspective.

## **II. 2014 DSM ENERGY SAVINGS**

5. In 2014, Idaho Power offered its customers system-wide 18 energy efficiency programs or pilots, three DR programs, participated in market transformation efforts through the Northwest Energy Efficiency Alliance ("NEEA"), and offered several educational initiative and other activities. As explained in more detail in the Direct Testimony of Darlene Nemnich ("Nemnich Testimony") filed contemporaneously with this Application, Idaho Power's annual energy savings from Idaho Power's efficiency programs increased by 33 percent in 2014, with the energy efficiency programs saving enough energy to supply electricity to over 9,000 average homes a year. Nemnich Testimony at 3; DSM 2014 Annual Report at 3.

6. On a system-wide basis, Idaho Power achieved 138,670 megawatt-hours ("MWh") of incremental annual energy efficiency savings in 2014. DSM Annual Report at 19. This value includes 118,670 MWh from Idaho Power's energy efficiency programs and an estimated 20,000 MWh of energy efficiency market transformation savings through NEEA initiatives. *Id.* at 5. The increase in the 2014 savings was driven

primarily by industrial sector program savings and to a lesser degree from the residential sector. *Id.* at 3.

7. Idaho Power's 2014 energy savings exceeded the annual savings target identified in Idaho Power's 2013 *Integrated Resource Plan* ("IRP"), and the Company has exceeded those annual targets 12 out of 13 years. On a cumulative basis, the Company's energy savings have exceeded the IRP targets every year since 2002. *Id.* at 1.

8. Idaho Power successfully restructured and resumed two of its demand response programs in 2014. The Company used all three DR programs in 2014 for a total non-coincident demand reduction of 378 megawatts ("MW") and an enrolled capacity of 390 MW. The reduced costs of these programs resulted in savings to Idaho Power customers of approximately \$6.5 million dollars, with only a slight reduction in capacity of 11 percent from 2012. *Id.*

### **III. 2014 DSM EXPENDITURES**

9. Energy efficiency program funding comes from the Idaho and Oregon Energy Efficiency Riders ("Rider"), Idaho Power base rates, and the annual power cost adjustment ("PCA"). Idaho incentives for the Company's DR programs are recovered through base rates and the annual PCA, while Oregon DR incentives are funded through the Oregon Rider.

10. In 2014, the Company's total system-wide expenditures on DSM-related activities totaled \$36,713,333. DSM 2014 Annual Report, Appendix 2. The \$36,713,333 of system-wide, DSM-related expenses in 2014 includes expenditures for customers in Oregon and other operations and maintenance expenses that are not

before the Commission as part of this prudence request. DSM 2014 Annual Report at 19. In this filing, Idaho Power seeks a determination that a total of \$33,495,385 expenditures were prudently incurred in 2014 (\$25,554,688 in Rider expenses and \$7,940,697 in DR program incentives included in the 2015 PCA). A summary of 2014 program expenditures by program, customer sector, and funding source for which the Company is seeking a prudence determination is provided in the Nemnich Testimony, Exhibit No. 1.

11. To calculate expenses for which the Company seeks a determination of prudence, Idaho Power made several adjustments to the total dollar amounts contained in the DSM 2014 Annual Report. Nemnich Testimony at 10-18. The Company requests that the Commission reflect the following adjustments in its records:

a. Rider-Funded Labor-Related Expenses. The Commission declined to decide the reasonableness of increases in the Company's Rider-funded labor-related expenses for 2011 and 2012. Order Nos. 32667, 32690, and 32953. Due to these Commission decisions, Idaho Power has excluded from this filing its 2014 increase in Rider-funded labor-related expenses amounting to \$338,707. Nemnich Testimony at 12-15.

b. Prior Year-End Adjustments. In last year's prudence filing, Case No. IPC-E-14-04, Idaho Power proposed a \$248 Home Energy Audit program labor charge adjustment that increased the amount of 2013 expenses requested for prudence determination. In Order No. 33161, the Commission approved that adjustment. This expense occurred in 2013 but was added to the Rider account via an accounting entry made in 2014. In order to arrive at the actual total program expenses for 2014, this

amount is removed from this year's prudence request to avoid a double counting of this amount. Nemnich Testimony at 16.

c. Current Year-End Adjustments. In 2014, two incentive payments in the Energy House Calls Program were charged to the Idaho Rider when they should have been charged to the Oregon Rider. This adjustment removes \$1,153 from the total amount of the prudence determination request. *Id.* at 16-17. Idaho Power transferred this amount to the Oregon Rider in 2015 and has excluded it for the Commission's review of whether such funds were prudently incurred.

12. In 2014, Idaho Power worked diligently with NEEA and its funders to procure a new plan for regional market transformation. This effort resulted in a 2015 to 2019 NEEA business plan to obtain 145 average megawatts of regional energy savings at a cost of about \$3 million less over the next five years to Idaho Power customers than the previous five-year business plan. DSM 2014 Annual Report at 9.

#### **IV. DSM COST-EFFECTIVENESS & EVALUATIONS**

13. The DSM 2014 Annual Report and accompanying Nemnich Testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred. In order to meet Commission Staff's expectations for assessing cost-effectiveness tests, methods, and evaluations as indicated in Attachment No. 1 to the DSM MOU, Idaho Power included:

14. Cost-Effectiveness Measurements for its Energy Efficiency Programs. In the DSM 2014 Annual Report, Idaho Power calculates cost-effectiveness from the TRC, UC, PCT, and RIM perspectives at the program level, except for those programs with no customer costs, in which case the PCT is not applicable. Idaho Power also evaluates cost-effectiveness using the TRC and UC tests for each measure within a program



where the measures are not interactive. The DSM 2014 Annual Report, Supplement 1 includes detailed results of the cost-effectiveness tests by program and by measure. The DSM 2014 Annual Report, Appendix 4 shows the historical TRC and UC results for each of Idaho Power's energy efficiency programs from a program-life perspective.

a. Idaho Power's energy efficiency portfolio was cost-effective resulting in a 1.89 benefit/cost ratio when evaluated at a TRC perspective and a 3.49 benefit/cost ratio when evaluated at a UC perspective. DSM 2014 Annual Report at 16.

b. Results show that of the 16 energy efficiency programs offered in Idaho, 11 programs had benefit/cost ratios greater than 1.0 for both the TRC and UC tests. Two programs had benefit/cost ratios less than 1.0 for the TRC test but greater than 1.0 for the UC test. Three programs had benefit/cost ratios less than 1.0 for both the TRC and UC. All programs for which the PCT is applied passed the PCT. Nemnich Testimony at 20. An explanation of the cost-effectiveness analyses and steps Idaho Power has taken to increase future cost-effectiveness of these programs is provided in the Nemnich Testimony on pages 22-31. A major factor impacting cost-effectiveness was that the 2013 IRP planning process resulted in lower DSM alternative costs and a 40-50 percent decrease to program benefits in the DSM alternative costs used to value energy efficiency. *Id.* at 21; DSM 2014 Annual Report at 16.

c. In 2014, Idaho Power determined the cost-effectiveness of its DR programs based on the annual value of \$16.7 million that was agreed upon in the public workshops in conjunction with Case No. IPC-E-13-14 and subsequently approved in Commission Order No. 32923. While benefit/cost ratios are currently not calculated for



the three DR programs, it is estimated that the programs would have remained cost-effective if dispatched for the full 60 hours allowed. DSM 2014 Annual Report at 16.

15. Program Evaluations. Independent, third-party consultants are used to provide impact and process evaluations to verify that program specifications are met, provide viable recommendations for program improvement, and validate energy savings achieved through Idaho Power's programs. In 2014, these independent, third-party consultants conducted process evaluations on three programs and impact evaluations on five programs. Nemnich Testimony at 31-33. In addition, Idaho Power conducts annual cost-effective analyses for each program. Copies of these reports can be found in the DSM 2014 Annual Report, Supplement 2.

## **V. STAKEHOLDER INPUT**

16. To assist with the development of DSM activities, Idaho Power consults with its Energy Efficiency Advisory Group ("EEAG"). The 14 members of the EEAG represent a cross section of customers from the residential, industrial, commercial, and irrigation sectors, as well as staff members of the public utility commissions of Idaho and Oregon, Idaho Power, and other stakeholders. The EEAG meets on a regular basis and provides a broad range of recommendations, including input on new program proposals, modifications to existing programs, and overall expenditures of DSM funds. In addition to the EEAG, Idaho Power works to build and maintain relationships with trade allies, trade organizations, and regional groups involved in DSM activities.

17. In 2014, the EEAG held four meetings, two webinars, and an energy efficiency potential study workshop. During these meetings, Idaho Power discussed and requested recommendations on a broad range of DSM issues. Based upon input from its stakeholders in 2014, Idaho Power increased the incentive paid under its

commercial and industrial programs and made several changes to its commercial/industrial lighting measures. The EEAG also provides feedback on potential new energy efficiency programs and offerings identified by the Company's newly formed Program Planning Group, two of which have been implemented or are being implemented in 2015. DSM 2014 Annual Report at 9-10.

## **VI. COMPLIANCE WITH ORDER NO. 33161**

18. In response to the direction provided by the Commission in the Errata to Order No. 33161, Idaho Power organized an Energy Efficiency Working Group and invited members of the Integrated Resource Plan Advisory Committee ("IRPAC"), the EEAG, and other interested parties to discuss issues raised by Commission Staff and other parties in Idaho Power's 2013 prudence filing in Case No. IPC-E-14-04. Nemnich Testimony at 33-39.

19. As a result of these efforts, Idaho Power has undertaken an investigation of the extent to which transmission and distribution benefits result from energy efficiency measures and programs, as well as the approximate value of such benefits. Idaho Power anticipates discussing the preliminary findings with stakeholders at the June 2015 IRPAC meeting.

20. The Company is also committed to continue evaluation of the program delivery issues identified by workshop participants, and by Commission Staff, and some interveners in comments filed in Case No. IPC-E-14-04. The Company plans to use the EEAG as the forum to provide customers, Idaho and Oregon Commission Staff, and other interested stakeholders an opportunity to provide advice and recommendations to Idaho Power in formulating, implementing, and evaluating energy efficiency and demand response programs and activities.

## **VII. MODIFIED PROCEDURE**

21. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* Idaho Power has, however, contemporaneously filed the Nemnich Testimony in support of this Application. The Company stands ready to present the testimony in support of this Application in a technical hearing if the Commission determines such a hearing is required.

## **VIII. COMMUNICATIONS AND SERVICE OF PLEADINGS**

22. Communications and service of pleadings with reference to this Application should be sent to the following:

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Regulatory Dockets  
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## **IX. REQUEST FOR RELIEF**

23. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order designating Idaho Power's 2014 DSM expenses of \$33,495,385 as prudently incurred.

DATED at Boise, Idaho, this 13<sup>th</sup> day of March 2015.

  
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LISA D. NORDSTROM  
Attorney for Idaho Power Company



**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-15-06**

**IDAHO POWER COMPANY**

**ATTACHMENT 1**  
***DEMAND-SIDE MANAGEMENT***  
***2014 ANNUAL REPORT***